BULLETIN No. 4

SPECIAL BULLETIN TO THE VINEYARDISTS AND WINE MANUFACTURERS OF CALIFORNIA

BY THE STATE BOARD OF VITICULTURAL COMMISSIONERS

Issued at Sacramento, California, May 10, 1915

Your State Board of Viticultural Commissioners deems it advisable to issue this bulletin on a special current subject which is of vital importance to the vineyard and wine interests of California.

When Congress last fall imposed a special tax of 55 cents a proof gallon on brandy used in the fortification of sweet wines, it was presumed that the tax was for emergency purposes in meeting deficiencies in national revenue, and that it would apply only on a portion of the 1914 vintage, and all of the 1915 vintage; and that the tax of 3 cents per proof gallon on fortifying brandy would apply again after 1915.

The new tax regulation went into effect, and now we are informed by an interpretation of the Act from the Commissioner of Internal Revenue, at Washington, D. C., that former acts of Congress are repealed, and that the 55-cent tax applying this year becomes $1.10 after the first of the coming year instead of reverting to the 3-cent tax which has been in vogue for over eight years.

In order that the attitude at Washington may be thoroughly understood, we publish the following letter:

TREASURY DEPARTMENT.

Office of Commissioner of Internal Revenue.

WASHINGTON, April 21, 1915.

E. M. SHEEHAN, Esq.,

Secretary State Board of Viticultural Commissioners, Sacramento, California.

SIR: I am in receipt of your letter of the 10th instant, relative to the use of brandy in the fortification of sweet wines, and requesting that you be advised as to the rate of tax which will be in force as to brandy so used on and after January 1, 1916.

By an Act, entitled "An Act to increase the revenue and for other purposes," approved October 22, 1914, the provisions of the Act of October 1, 1890, and the amendatory Act of June 7, 1906, so far as relate to the question involved, were re-enacted with certain amendments, under which a tax of 55 cents per gallon was imposed on brandy so used, in lieu of the tax exemption provided in the Act of 1890 and the charge of 3 cents per gallon imposed by the Act of 1906.

After careful examination, this office is of the opinion that the provisions of the Act of October, 1914, above referred to, operate as a repeal of the former provisions of the Acts of October, 1890, and June 1906, and that on and after January 1, 1916, the date on which the Act of October, 1914, expires by limitation, the brandy used in the fortification of wine will be subject to the same tax as if withdrawn for other purposes, namely $1.10 per proof gallon.

Section 12, Revised Statutes, provides that:

> 'Whenever an Act is repealed which repealed a former Act, such former Act shall not thereby be revived, unless it shall be expressly so provided.'

In the Act of October 22, 1914, Congress made no such express provision, and as it had by said Act expressly repealed the provisions relative to the withdrawal of brandy free of tax for fortification purposes, and also the section of the law imposing a tax or charge of 3 cents per gallon upon brandy, evidently intended to simply cover the expense of withdrawal, there would be left neither the free-tax provision nor a special charge provision. Hence the law would exist taxing all distilled spirits at the rate of $1.10 per gallon, without regard to the purposes for which the same were withdrawn, unless covered by other specific provisions. This construction is emphasized by the fact that Congress specifically restored and continued in full force the law imposing the tax on beer, but made no such provisions with regard to the withdrawal of brandy or other distilled spirits for fortification purposes.

I have carefully noted that portion of your letter relative to the possible effect that the repeal of these laws will have on the viticultural industries of your State; but, as stated in your letter, their consideration does not enter into the "administration of the laws that are made."

Respectfully,

(Signed.) W. H. OSBORN,
Commissioner.

The far reaching, destructive effects of this Act to the viticultural interests of California may be readily understood by a brief analysis of the situation in a few pointed paragraphs.

California normally crushes 225,000 tons of grapes for the making of her 18,000,000 gallons of sweet or fortified wines.

For eight years prior to October last, the Federal tax of 3 cents per proof gallon on brandy used in the making of sweet wines amounted to, approximately, $125,000 for California's annual production.

This year the 55-cent tax would (if the wineries could endure it) yield eighteen times the former amount, or nearly $2,250,000. Those acquainted with conditions know, however, that there could be nothing like a normal production because of such a tax, and that there would be comparatively little sweet wine made in the State in 1915.

Finally, we learn that after this year the tax becomes $1.10, which would mean a levy of $4,500,000 on the normal sweet wine production of California, a tax nearly thirty-seven times greater than that which had applied less than a year ago.

The effect can not be misunderstood.

If the interpretation of the Act is correct (and we have no authority to oppose it), a crushing blow is dealt to the viticultural interests of this State. Not alone is ruin staring the sweet wine industry in the face, but every other branch of viticulture must suffer greatly as a consequence.

Practically, prohibition of the manufacture of ports, sherries and all other fortified wines is in effect, and the only alternative, unless Federal relief is afforded, is in converting sweet wine plants into dry wine wineries.

If this plan is resorted to, the normal dry wine production of California will be increased more than double, and as a result of great overproduction, marketing will become unprofitable. An increase in one year in the State's production of dry wines from 22,000,000 to 50,000,000 gallons will necessarily mean the application of the law of supply and demand to the detriment of the producers.

The other branches of viticulture to be affected are the raisin and table grape vineyards. Sometimes as much as 40 per cent of their tonnage is sold to the sweet wine wineries, and these grapes under the present Act and the future automatic application are worthless, because sweet wine manufacturers can not afford to defray the tax attendant on their manufacture into wine or brandy for fortifying.

A ton of culls of table or raisin grapes converted into brandy for purposes of fortifying sweet wine would subject the wine maker to a government tax this year amounting to about $20 on that single ton of grapes, and next year at the $1.10 rate, the government tax alone on that ton of grapes bought from a table grape or raisin producer would be about $40.

In view of the situation, and charged as it is by statute with fostering and protecting the vineyard interests of California, your State Board of Viticultural Commissioners proposes that a vigorous effort be made to cause a repeal of this act at the next session of Congress.

By way of inaugurating a plan of action, it is proposed to hold a meeting of the board in San Francisco on the morning of May 21st, and a mass meeting of vineyardists, wine makers and interested citizens in the afternoon of the same day at two o'clock, in the large assembly hall of the Phelan Building, 760 Market Street, second floor, Room 249, where every phase of the situation will be fully set forth and discussed, and where suitable resolutions may be adopted pleading the cause of viticulture in California and asking Congress to grant immediate relief from what appears to be an unintentional injury to one of the State's greatest industries.

Besides the entire Board of Viticultural Commissioners, we hope to have in attendance at the mass meeting California's representatives in Congress in order that they may fully understand what the imposition of the tax means to this State and be able to attend the next session in Washington fully prepared to present the just claims of the State.

We intend also to reach by letter every member of Congress before next session in an endeavor to present our contention for justice in such a convincing manner that the request will not go unheeded for lack of understanding of our unenviable position.

Viticulturalists particularly and citizens generally are invited to attend the mass meeting on the date mentioned heretofore in this bulletin.

Respectfully,

STATE BOARD OF VITICULTURAL COMMISSIONERS,

C. J. WETMORE,
President.

E. M. SHEEHAN, Secretary.

STATE BOARD OF

VITICULTURAL COMMISSIONERS.

Office: State Capitol Building

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